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# The Side of Trust in Online Retailing Environment——Role of Coupon Proneness

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**Abstract:** The growth and popularity of online shopping platforms have attracted numerous vendors to invest in this shopping channel. Coupon proneness is one key price-related personality influencing trust in online retailing environment. This study seeks to examine the moderating effect of personality trait (coupon proneness) on trust in satisfaction-repurchase intention link. The research model was empirically test by 538 users of a C2C marketplace. Findings of this study support our research hypotheses and illustrate the importance of coupon proneness on trust in C2C marketplaces. Coupon proneness exhibits a significant positive moderating effect on the relationship between satisfaction and trust. We believe that this research has provided useful insights for emarketers as well as for researchers.

**Keywords:** Coupon proneness, Trust, Satisfaction, Repurchase, Value consciousness, Online retailing

## 1. INTRODUCTION

With the advent of Internet, traditional marketplace had changed its way of competition by the arrival of the e-commerce era. Unlike traditional bricks-and-mortar stores, building customer's trust is essential for the success of e-transaction in online environment because of the uncertainty of the transaction and the quality of the products in e-stores. In addition, it is difficult to build loyalty in electronic commerce transaction mainly due to the low switching costs when competition and information search is only a click away in online environment.

The use of coupon as a marketing tool has become an extraordinary pricing tactic to maintain customers' repeat purchase in same store, as well as to attract new customers into a product or brand [1]. Regarding price tactics [2], it is crucial for customers to make decisions. In online retailing environment, many retailers also use these pricing tactics to attract customers and maintain loyal ones, especially the use of coupon.

The main objective of this study is to develop and empirically validate a research model on the moderating effect of personality traits (coupon proneness) on trust in the satisfaction-repurchase intention link in online retailing platforms. In this study, coupon proneness is adopted to examine the impacts of trust in online transaction experience. Previous studies in e-commerce focused mostly on the conceptual and logical aspects of trust [3]. Not until recently, Gefen and his colleague (2008) presented the importance of investigating how personality traits relate to trust and indicated the ignorance of this side of trust in prior studies. The second objective of this study is to empirically validate price perception constructs in online retailing context by borrowing the measurements developed by Lichtenstein et al [4]. In particular, this study focuses on one personality trait---coupon proneness, while it is using the other one---value consciousness as control variable.

The rest of the paper is structured as follows. The next section addresses the theoretical background and related literature review. The third section presents the research model with the corresponding hypotheses. The fourth section describes the research method to empirically test our research model. The fifth section presents

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the results of our empirical research. Finally, the paper discusses the implications for both research and practice.

## **2. THEORETICAL BACKGROUND AND LITERATURE REVIEW**

### **2.1 Satisfaction**

Oliver (1997) defined satisfaction as the “the degree of fulfillment of some need, desire, goal, or other pleasurable end state that results from a specific exchange transaction between the consumer and a firm [5]. Such definition differs from other research that seeks to focus on the relational or overall satisfaction, measuring it as a “cumulative” construct that is an overall assessment over all past experience [6-8]. In C2C online platforms, sellers of each product categories are easily emulated, while switching costs are trivial to their consumers. Consumers are more likely to switch to numerous alternative sellers in C2C online platforms just because of one dissatisfying exchange experience. Building on the need gratification and dual-factor motivation theories, transactional satisfaction acts as a basic, lower-order, hygiene-type need [9], because fulfillment of economic goals is a core and basic need in market-based exchanges [10]. Hence, in accordance with Oliver’s definition, we define satisfaction in our study as transaction satisfaction.

### **2.2 Trust**

Trust in the seller is a crucial factor to maintaining continuity in the consumer-seller relationship in the traditional retail environment [11]. Many scholars have suggested that trust is a key mechanism governing many social exchange relationships in uncertain context, especially in the online shopping environment [12,13]. Trust is a fundamental component for the initial transaction in online retailing context [14],

In C2C online platforms, there are two types of trust: trust in the platforms and trust in the particular seller during and after the transaction experience. Trust in the platforms reflects the willingness of individual to depend on the party and take risks to fulfill his or her needs [15]. Note that we want to explore our research model in a matured C2C platform where individuals have a relatively high trust level in the platform. Thus we do not consider the individuals’ initial trust in the platforms and suppose that they all perceive high trust level. Trust in seller in our study refers to a consumer’s confidence that he or she can rely on the seller to deliver promised service [9]. According to the need gratification and dual-factor motivation theories, trust in the seller relates to social aspects of exchange and acts as a growth, higher-order, and motivator-type need. This kind of high-level social perceptions can be formed based on the interactions with the seller during and after the transaction.

### **2.3 Price-related personality**

Coupon proneness and value consciousness are the two price-related personality constructs of this study. Based on the earlier work by Lichtenstein, Netemeyer and Burton (1990) [16], they clearly differentiated the effects of these constructs with trust in online environment by acquisition–transaction utility theory. In addition, they are chosen in our study to be further examined in C2C marketplace.

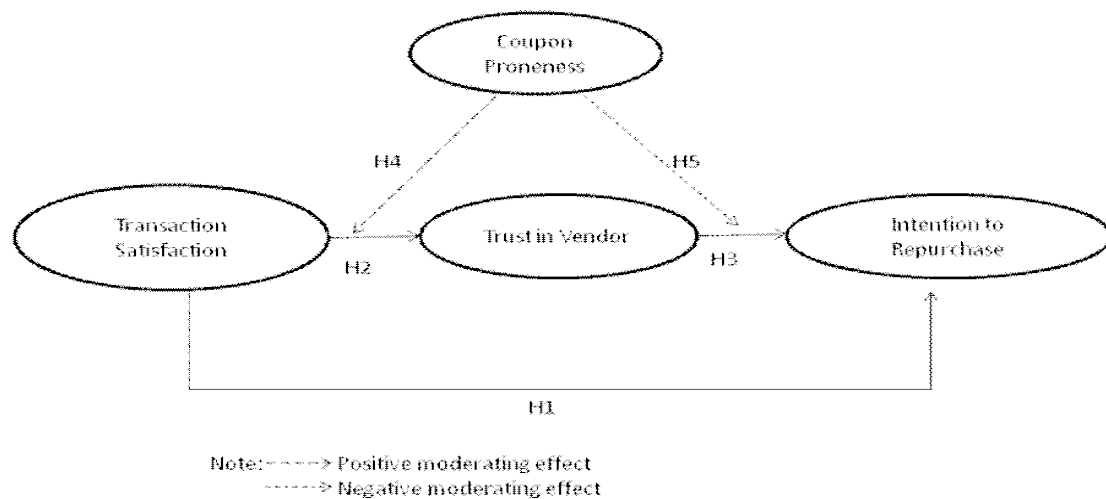
Coupon proneness has been defined as “increased propensity to respond to a purchase offer because the coupon form of the purchase offer positively affects purchase evaluations” (p.56) [16]. It is conceptualized as a dimension of the more general deal proneness and measured with multi-items. Unlike the behavioral manifestation of coupon proneness in previous research [17,18], we do not measure the construct as coupon usage referring to population or the observed percentage of purchases made using a coupon. In contrast, we follow the measurement of this construct in the work by Lichtenstein et al. (1990) [16]. Furthermore, Swaminathan and Bawa’s (2005) [19] category-specific coupon proneness measurements provided the evidence of a general consistency to redeem coupons across categories. Hence, for the purpose of this study, coupon proneness will be adapted to the online retailing context and will be defined as an individual’s tendency to respond to a purchase offer predominantly because they offer coupon.

Value consciousness has been conceptualized “as the concern for paying low prices, subject to some quality

constraints” (p. 56) [16]. Unlike coupon proneness, value consciousness refers to the transaction as a whole. Value consciousness consumer is concerned with the ratio of price to quality.

### 3. RESEARCH MODEL AND HYPOTHESES

Figure 1 presents the research model of this study. Building on prior literature, we identify coupon proneness as the moderator in the side of trust in online retailing platforms, and present the satisfaction-repurchasing intention link from a trust perspective.



**Figure1. Research model**

#### 3.1 SAT-REP Link

Satisfaction is referred as an emotional component in the continuance stage [20]. Satisfied consumers tend to have higher possibility to continue to purchase products from the satisfying store or seller than those who are not satisfied in the previous transaction. Prior research has provided considerable empirical support of the positive relationship between satisfaction and continuance intention [21,22]. Thus, we have the following hypothesis:

*H1: Transactional satisfaction is positively related to consumer's intention to repurchase from an online seller.*

Consumer trust is a key issue in Internet shopping, which is impeding the proliferation of online retailing vendors. Trust is defined as the confidence in the exchange partner's reliability and integrity by Morgan & Hunt (1994) [23]. According to Singh and Sirdeshmukh [14], trust plays a significant role in determining outcomes at different points in the process and serves as glue that holds the relationship together. Evidence showed by Kennedy et al. (2001) also pointed that customer satisfaction is an antecedent of trust in provider [24]. Thus, we have the following hypothesis:

*H2: Transaction satisfaction is positively related to trust in vendor.*

According to Hennig-Thurau and Klee (1997) [25], trust is theorized to play an important role in repurchasing decision. These arguments were also empirically supported by the findings of a strong relationship between online trust and behavioral intention by Bart et al. (2005) [26]. Behavioral intention may include willingness to conduct further activities, such as revisiting to the same website, engaging in interactivity with the website, and purchasing or repurchasing from the site. Thus, we have the following hypothesis:

*H3: Trust in vendor is positively related to consumer's intention to repurchase from an online seller.*

### 3.2 Moderating effect of coupon proneness

According to Lee's trust model for consumer Internet shopping [27], ability, integrity, and benevolence of Internet merchant are consistently related to trust in Internet shopping. Based on Thaler's (1985) utility theory [28], transaction utility concerns psychological pleasure from purchase. In addition, transaction utility is always linked to coupon proneness [16]. Accordingly, coupon prone customers will more likely be attracted by the satisfaction and pleasure during the transaction that may more likely to trigger the psychological content and achieve benevolence of the vendor.

Coupon prone consumers primarily derive utility from transactions. Transaction utility tied exclusively to price information [4,16]. Coupon prone customers are less likely to pursue benefit from searching for "value of money" information. Furthermore, these customers are more likely to continue purchasing from the seller or store where they redeem coupons because of the pleasure derived from using coupon forms, not the trustworthiness belief of the retailing vendor.

Thus, we have the following hypotheses:

*H4: The correlation between trust in online retailing vendor and intention to repurchase is greater (positively moderated) when consumers are more likely to be coupon proneness.*

*H5: The correlation between trust in online retailing vendor and intention to repurchase is weaker (negatively moderated) when consumers are more likely to be coupon proneness.*

## 4. METHODOLOGY

In this study, we examine how trust, satisfaction and other personality traits interact and shape the complex nature of repurchase intention in online shopping environment.

We used a sample of TaoBao users to examine our conceptual model. TaoBao Marketplace (www.Taobao.com), a leading company in China, virtually owns the country's C2C business with a 90% of market shares<sup>二</sup>.

### 4.1 Data collection

In current study, the sample frame was individuals who have used TaoBao.com to perform online shopping. In order to improve the response rate and sample quality, we employed a market research firm for data collection. The market research firm provided IP addresses to prevent double counting of survey respondents. 538 usable questionnaires were used in this study.

Among the 538 respondents, 55% was female and 45% was male. 40% of our respondents aged 18-25 and 53% aged 26-40. A majority of the respondents (80.8%) had an education level of university or above.

### 4.2 Measures

The constructs of interest to our study were satisfaction, trust, coupon proneness and value consciousness. All our measures have been validated in prior research. Satisfaction, trust and intention to repurchase were derived from Seiders et al. (2005) [29]. Coupon proneness and value consciousness was measured using the revised scale proposed by Lichtenstein, Netemeyer, and Burton (1990, 1993) [4,16].

## 5. RESULTS

We used the Partial Least Squares (PLS) method to perform the statistical analysis in current study. PLS is widely adopted by IS researchers in recent years because of its ability to estimate multiple and interrelated dependent relationships under conditions of non-normality samples [30-33]. Following the two-step analytical procedures [34], we first examined the measurement model, and then evaluated the structural model.

<sup>二</sup><http://www.time.com/time/world/article/0,8599,2098451,00.html>

## 5.1 Measurement model

In this section, we examined the convergent validity and discriminant validity of the constructs in our model.

### 5.1.1 Convergent validity

Convergent validity indicates the extent to which the items of an instrument that are theoretically related are also related in reality. Composite reliability scores for the reflective measures ranged from 0.90 to 0.96, exceeding the 0.707 recommended guideline [31]. Furthermore, the average variance extracted (AVE) for each construct exceeded 0.5 recommended level [35]. All item loadings were higher than the 0.71 benchmark.

### 5.1.2 Discriminant validity

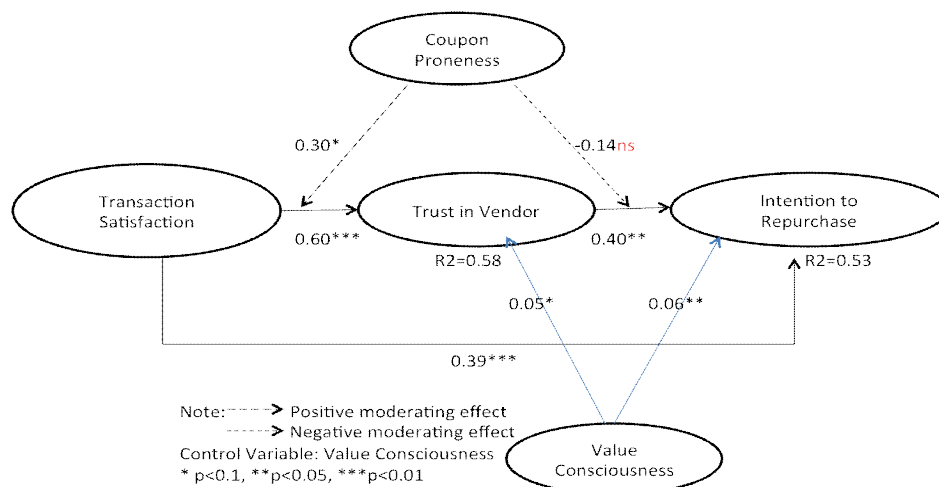
Discriminant validity is indicated by low correlations between the measure of interest and the measure of other constructs. Following the research by Fornell and Larcker (1981) [35], this validity can be assessed by having the square root of the average variance extracted (AVE) of each construct greater than the correlations between it and all other constructs. Table 1 shows the correlations between variables. Square root of the AVE of each construct is located on the diagonal of the table and is in bold. Discriminant validity was verified.

**Table 1. Correlations Between Constructs with Reflective Measures (Diagonal Elements Are Square Roots of the Average Variance Extracted)**

	COU	REP	SAT	TRU	VAL
Coupon proneness (COU)	<b>0.88</b>				
Intention to repurchase (REP)	0.24	<b>0.96</b>			
Transaction satisfaction (SAT)	0.13	0.67	<b>0.94</b>		
Trust in vendor (TRU)	0.08	0.65	0.75	<b>0.95</b>	
Value consciousness (VAL)	0.28	0.19	0.28	0.25	<b>0.77</b>

## 5.2 Structural model

Figure 2 shows the results of structural model with explanatory powers ( $R^2$ ), estimated path coefficients (significant paths indicated with an asterisk). We performed the bootstrap resampling technique to test the significance of all paths.



**Figure2. Results of research model**

An examination of  $R^2$  value indicates that the exogenous variables explain a substantial amount of the variance in the endogenous variable. In our model, it explains 53% of the variance in consumers' intention to repurchase in online retailing environment. All hypothesized paths in the research model were found to be statistically significant (except the moderating effect of coupon proneness on the relationship between trust and repurchase intention).

In testing for interaction effects using PLS, the hierarchical process was used to compare the  $R^2$  value for the interaction model with that for the main effects model, which excluded the interaction construct. The difference in  $R^2$ 's was used to assess the overall effect size  $f^2$  for the interaction where 0.02, 0.15, and 0.35 had been suggested as small, moderate, and large effects, respectively [36]. The model in which coupon proneness was proposed to moderate the link between satisfaction and trust possessed a significantly higher explanatory power than the main effect model ( $R^2=0.5$ ). Moreover, the effect size for the interaction was 0.06 (small effect).

As a control variable, value consciousness had small (but significant) positive effect on the endogenous constructs of the model.

## 6. DISCUSSIONS AND CONCLUSIONS

In this paper, we present an analytical model to explore the moderating effect of coupon proneness on the links of satisfaction, trust and intention to repurchase in online retailing environment. Based on prior literature, we believe that coupon prone customers will increase the relationship between transaction satisfaction and trust in vendor, while decrease the relationship between trust in vendor and intention to repurchase. Our conceptualization has been corroborated by our empirical results to some extent, though  $H5$  was not significantly supported with our data.

### 6.1 Theoretical and practical contributions

Our study contributes the existing research by the following ways. First, it fills the research gap by examining the moderating effect of personality traits (coupon proneness) on trust in online C2C retailing shopping platforms. Second, it extends the traditional marketing research of price tactics to online retailing context. Third, it helps the vendor to understand the effect of coupon in online retailing context more clearly by introducing the interacting effects with trust.

### 6.2 Limitations and future research directions

Despite these contributions, a number of limitations of this study were presented. First of all, the data was collected in a C2C shopping platform. The domain of C2C marketplace may differ from other online shopping environment. The particular context we used will limit the generalizability of the research model. Second, we have not considered the actual repurchase behavior in this study. A longitudinal study is strongly recommended for future study. Third, this study was conducted in China (collectivistic culture). Thus, culture bias may influence the results in this study. Cross-cultural studies are recommended in further examinations.

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